

Social Security Administration

The Policy and Research Agenda for the Office of Policy

The Office of Policy of the Social Security Administration (SSA) directs the formulation of overall policy for SSA and ensures the consistency of policy development and implementation activities across programs administered by SSA. The Deputy Commissioner for Policy is the principal advisor to the Commissioner of Social Security on major policy issues and is responsible for activities in the areas of overall policy development and analysis, policy research and evaluation, and statistical programs.

The creation of the Office of Policy and its components in the independent Social Security Administration is summarized briefly below. The summary is followed by a Policy Agenda for the Office. The Agenda summarizes six broad initiatives that OP has identified to guide its work through calendar year 2000.

Independent Agency Status and the Creation of OP

On March 31, 1995, the Social Security Administration became an Independent Agency. Under the legislation creating the Independent Agency, the Commissioner reports directly to the President and serves as a member of the Social Security and Medicare Boards of Trustees. On September 29, 1997, Kenneth S. Apfel was sworn in as the first confirmed Commissioner of the independent SSA. The new Commissioner determined that, with independence, the Agency needed a stronger policy capability, one that linked policy development and analysis to a strong research and evaluation base.

In the spring of 1998, a new Office of Policy (OP) was established. It was to be headed by a Deputy Commissioner reporting directly to the Commissioner, and Jane L. Ross was appointed as the new Deputy Commissioner.

The need for a stronger policy role was articulated in the first report of the recently created Social Security Advisory Board,¹ "Developing Social Security Policy: How the Social Security Administration Can Provide Greater Policy Leadership." In the report's opening message, the Board called attention to the fact that policy development was the first issue that they addressed because of the primary importance they placed on it. One of the report's key findings was that Agency leadership had given insufficient attention since the mid-1970s to policy issues, especially larger policy issues. The report noted that frequent organizational changes plagued the policy area and that policy responsibility

¹The Independent Agency legislation had also created a new bipartisan Social Security Advisory Board. Among the Board's responsibilities are those of making recommendations with respect to (i) policies that will ensure the financial solvency of the Social Security programs and (ii) policies and regulations about Social Security and SSI programs.

within the Agency was fragmented and lacked continuity. The Board's key recommendations were that SSA provide greater policy leadership and strengthen policy research by:

- placing a high priority on policy and research
- addressing the larger policy issues
- strengthening SSA's policy, research, and evaluation capability
- attending to the organizational structure, and
- encouraging additional research.

The new OP includes the Office of Research, Evaluation and Statistics (ORES) and two new offices--one for retirement policy (ORP) and one for disability and income assistance policy (ODIAP). Although each component has distinct areas of responsibility, teamwork is emphasized throughout OP, and expertise in various components is pooled for many projects.

ORP is responsible for providing analysis and development of Social Security retirement and survivors policy, especially in the area of Social Security solvency. ORP works closely with ORES and ODIAP in conducting in-depth analysis of solvency proposals, focusing on the distributional effects on various populations, financial implications for the programs and the federal budget, and administrative issues. In addition, ORP formulates analyses on issues related to the retirement and survivors programs based on analysis of aging and longevity issues, demographic trends, health and medical issues, changes in the labor market, and overall impacts on the Old-Age and Survivors Insurance Trust Fund.

ODIAP is responsible for the development of disability and income assistance policy. To that end, ODIAP provides broad policy analysis and development in the Disability Insurance (DI) and Supplemental Security Income (SSI) programs, including broad analyses of who receives benefits, their economic and social welfare, and programs to assist beneficiaries achieve greater independence.

Both new policy offices maintain awareness of external factors affecting their programs, develop broad analyses of major social and economic trends and their impact on SSA programs, and help develop Agency policy regarding issues related to SSA programs. Coordination with other parts of SSA and with other agencies is part of that work.

ORES is responsible for research and evaluation studies on the effects of Social Security and income assistance programs--and proposed changes in those programs--on individuals, the economy, and program solvency. ORES also conducts short and long term research and evaluations on the disabled population, work incentives, and disability assessment tools. ORES statistical programs provide data on OASDI and SSI benefit receipt, payment amount, covered workers, and other program indicators. Administrative record data, sometimes linked to survey data, are also developed for use in Social Security research and policy analysis. ORES develops and maintains microsimulation models that

estimate distributional effects of proposed changes in Social Security programs. Through a new Retirement Research Consortium, a planned Disability Research Institute, as well as grants, contracts, and Task Orders, ORES is extending its research and evaluation capabilities and obtaining special skills that enhance its internal capabilities.

The OP Agenda²

OP was created at a time of great national discussion of Social Security policy issues, in particular issues relating to the long-term solvency of the Social Security program. As a result there has been a major focus on research, modeling, and policy analysis aimed at addressing the current program and the effects of proposals to change the current program. At the end of OP's first year, an OP Policy Agenda has been developed to document for the larger Social Security policy community the areas on which OP will focus and the work underway or planned in those areas.

In developing the Agenda, we reviewed several reports on SSA research and policy issues, including those from the Social Security Advisory Board, the General Accounting Office, and the Institute for Health and Aging's research team at the University of California.³ We have also discussed potential topics with many researchers and policy experts inside and outside SSA and express our gratitude for their contributions to this Agenda.

The Agenda describes the projects that the Office of Policy plans to do in the next 2 years, and while not exhaustive, it references most of our work. It reflects the choices that have been made about how we are committing our internal resources and our research budget funds. Future agendas may address additional topics.

²Research is underway in other areas of the Social Security Administration, especially in the Office of Disability and Income Security Programs (ODISP). The Commissioner's Research Budget and the Commissioner's budget priorities reflect work in OP, ODISP and other offices.

³The Social Security Advisory Board reports included "Forum on a Long-Range Research and Program Evaluation Plan for the Social Security Administration: Proceedings and Additional Comments," June 24, 1997; "Strengthening Social Security Research: The Responsibilities of the Social Security Administration," January 1998; and "How SSA's Disability Programs Can Be Improved," August 1998. We also consulted the General Accounting Office report, "Social Security Administration--Significant Challenges Await New Commissioner" (HEHS-97-53), February 1997, and the University of California, San Francisco, Institute for Health and Aging report, "Strengthening Policy Development Work Within the Social Security Administration: A Review of the Mission, Resources, and Capabilities in the Office of Research, Evaluation and Statistics," December 1997.

Initiative 1. Support the solvency discussions with data, policy analysis, policy evaluation, and research.

The Social Security program faces long-range financing problems, and a number of solvency proposals have been developed by the President, several Senators and Members of Congress, the 1994-1996 Social Security Advisory Council, and outside groups. Proposed changes range from modifications in the current system to shifts toward a privatized retirement system. The Office of Policy provides information that policymakers need to understand the broad impacts and distributional effects of major solvency proposals. International studies are also being conducted to inform policymakers about alternative systems.

Modeling. To assess the effects of various reform proposals, SSA has placed a high priority on the development and use of microsimulation models. The models estimate the consequences of a change in the program on the economic status of beneficiaries, with particular focus on economically vulnerable subgroups. Our microsimulation efforts are in varying stages of development and evaluation, with some already producing results for policymakers. Continued model enhancements will increase the scope of reforms that can be evaluated, expand the range of income sources that can be assessed, and improve the reliability of the estimates. Related work analyzes new proposals and provides information to policymakers about current characteristics of SSA programs that may impact the reform debate. Research is underway on lifetime redistributional effects of the OASI program with an analysis of taxes paid and benefits received. Analyses of reform proposals altering benefits received by women, especially as survivor beneficiaries, and by other subpopulations are being conducted. We also will develop the capacity to model the effects of proposed changes in Social Security retirement and disability benefits on Disability Insurance (DI) program beneficiaries (see Initiative 3).

Cross-national projects. Another priority related to solvency is the review of social insurance and privatized programs in other countries, especially Australia, Canada, Chile, Sweden, and the United Kingdom. Many countries are modifying their old-age programs as they face aging populations and social security financing shortfalls, and understanding what works elsewhere can lead to insights into what may work in our own programs. We will participate in an International Social Security Association (ISSA) analysis of methodological tools and analysis techniques. A preliminary paper on cross-national comparisons of social security systems and their distributional outcomes will be completed. Private intergenerational old-age support patterns are also being investigated in a cross-country context.

Macroeconomic effects. A third priority is research on the effects of Social Security reform proposals on private and national saving, on the economy, and on the financial outlook for the program. A series of studies are underway on the equilibrium effects on relative prices, investment, and welfare of investing the Trust Fund in private securities. Another project is looking at the investment practices of state pension funds. Administrative costs and feasibility of privatized schemes are under ongoing review.

Research Consortium. A number of the research projects referred to in this and the following initiative are being conducted by members of the Retirement Research Consortium. In September 1998, the Consortium was created via grant awards from SSA to Boston College and the University of Michigan, establishing multi-disciplinary centers to conduct a broad research and evaluation program on retirement policy, disseminate this information, train new scholars, and facilitate use of administrative data. The Consortium is an important step toward SSA's revitalizing its research capabilities beyond internal staff and providing national leadership on retirement policy issues.

Initiative 2. Assess the Social Security retirement and survivors programs and the economic security of the aged.

Monitoring the economic well being of Social Security populations is a continuing activity of the Agency. Social Security benefits alone are rarely adequate for maintaining one's preretirement standard of living, and many beneficiaries also rely on income from employer-provided pensions, from private savings, and from continued employment. Yet for the nation's future retirees, those other critical sources of income also raise policy issues. Pension coverage rates have been essentially stagnant for about 3 decades. At the same time, the nature of many private pension plans has shifted from defined benefit to defined contribution, and there are concerns about future benefits for low and moderate income workers. In addition, the personal saving rate has continued to decline, and many persons approaching retirement have few financial assets. Only slightly more than 50 percent of men and less than 40 percent of women are still in the labor force at age 62 and participation declines steadily as age increases.

Social Security benefits. In addition to work described in the solvency initiative, several projects being conducted by the Office of Policy look at Social Security retirement and survivors benefits. A funded study looks at redistribution under the Social Security benefit formula according to lifetime work effort and wage rates. We are also assessing the effects of the current OASDI programs on women, on minorities, and on low wage workers. Analyses of the effects of trends in marriage, divorce, and remarriage on Social Security programs will be completed, and additional research is looking at the receipt of spouse and survivor benefits by couples and former spouses. Other studies are underway on immigration and Social Security.

Employer Pensions. Priorities for pension research, particularly in the context of Social Security reform proposals, focus on several areas. One examines implications for retirement income security of the shift from defined benefit to defined contribution plans through a study of lump-sum payments. Another describes workers with employer pensions that are integrated with Social Security and examines how integrated plans affect retirement income. A funded study of the pension reform experience of other advanced industrial countries is also being conducted.

Savings. Another priority is to better understand saving behavior among persons nearing retirement age, to identify differences and possible causes of differences in saving behavior, and to highlight subgroups of the population whose low wealth accumulation rate and inadequate savings make them vulnerable to certain proposed changes in Social Security. Two funded studies are looking at new

retirement savings products and at asset allocation choices of 401(k) plan participants. Other funded studies look at inflation-indexed annuities and differences in the demand for annuities between married couples and single persons.

Employment. Continued employment of the aged is often another source of retirement income, and we will look at the impact of health on the labor force participation of older workers. A particular area of focus will be on trends and determinants of the transition from work to retirement among low income persons. Other work focuses on part-time or short duration jobs and on self employment among older workers.

Labor force transitions among older workers are being investigated, and subsequent analysis assesses the relative importance of financial influences on work patterns of the elderly. The earnings of husbands and wives, the relationship of those earnings within couples, and how that relationship has changed over time are being examined. Research is also underway on the joint retirement decision of couples.

Future economic security. The future economic security of the aged depends in large part on changes made to maintain the long term solvency of the program and will be studied through modeling described in the first initiative. We will also continue to monitor the sources and amounts of income received by the aged population. Lifetime earnings and marital histories of different cohorts of women are being examined to gain insights into likely different old-age outcomes for future retirees compared with current retirees. Research is also examining the impact of increasing earnings inequality on Social Security retirement benefits in the future.

Finally, we will develop barometer measures to assess the role of OASDI programs in providing an adequate base of economic security and protection for vulnerable populations. The measures will provide information about populations served by Social Security programs and help to identify areas where policy changes may be needed to strengthen SSA programs

Initiative 3. Assess program dynamics of SSA's disability programs and the economic security of the disabled.

Historically, SSA's disability programs have seen periods of rapid growth followed by periods of much slower growth, making changes over time difficult to forecast. The DI and SSI disability programs together now serve almost 11 million persons who receive benefits based on either their own disability or the disability of someone on whom they are dependent. In addition to addressing questions of the dynamics of the disability programs, work in this initiative examines the economic security of persons with disabilities.

We are beginning the Disability Evaluation Study (DES), a major, multi-year survey that will address many of the key policy questions discussed in this initiative. Some of those questions are: (i) how many people are considered disabled for Social Security purposes? (ii) how can we cost-effectively monitor future changes in disability? and (iii) what would be the impact of changes in the disability decision process?

Eligible nonparticipants. A major priority in this initiative is to assess the size and composition of the potential pool of persons medically eligible for Social Security disability programs. Both near term and long term data development projects are underway to describe that pool, through microsimulation models of the DI and SSI programs and the DES. What is the potential for long-term growth in the disability rolls? Are some subgroups more likely to be eligible but not receiving benefits than others? Cost and other policy implications of changes in the numbers and characteristics of program beneficiaries will be assessed.

Application decisions. Another priority is to develop an understanding of the decision by individuals to apply for disability benefits. A disability applications model will help explain factors that determine the application decision. We are exploring the usefulness of matching information from SSA files with survey data to look at factors associated with initial filings and develop information about allowance rates and reconsiderations. Through a contractor, we are testing a series of questions about how potential applicants are affected by advice and information from third parties (e.g., employers, private disability insurance providers, state or local welfare offices, law firms). We are also funding a study of the financial resources available to persons applying for DI and SSI disability benefits.

Disability determination decisions. The decision to apply for benefits is followed by an SSA disability determination decision whether to award or deny benefits. A microsimulation model of the disability determination process is being developed as part of a larger modeling effort. An exploratory econometric analysis of

disability determinations, examining variations in processing time, workloads, and other factors by state and over time, will be completed.

Older workers and solvency proposals. A fourth priority is to explore the relationship between health and OASI/DI beneficiary status among older workers. A primary focus is to identify population subgroups that would be economically vulnerable in the face of possible proposed increases in the retirement age or early eligibility age or other OASI program changes. These changes may increase incentives to apply for disability benefits and could be a substantial source of additional disability program growth. As noted, the effects of other solvency proposals on the DI program are also being examined. Microsimulation capabilities will be extended to allow estimates of the effect of changes in disability program calculations on DI beneficiaries.

Economic security. The income and assets of disabled beneficiaries are also being examined. Descriptive tabulations of the income of disabled beneficiaries will be done, followed by an analysis comparing the income and assets of families that include at least one disabled adult with those of families with similar demographic characteristics but that do not include a disabled adult. SSA will develop barometer measures to assess the well-being of its disability beneficiaries. The measures will indicate the role of Social Security programs in protecting vulnerable populations and indicate areas where the programs could be strengthened.

Initiative 4. Identify policies that encourage disabled workers to maintain their employment and disabled beneficiaries to return to work.

Only a small number of disabled worker beneficiaries make successful work attempts and leave the rolls, and we are only beginning to understand why some work attempts are successful in the long term and some are not. A number of recent initiatives, including the Executive Order “Increasing Employment of Adults with Disabilities,” seek to increase the number of disabled persons who work. Such initiatives recognize that many disabled beneficiaries want to be independent and work, and, if they receive the support they need, many can work.

Work characteristics. A priority is to expand our knowledge of the work characteristics of persons with disabilities. A primary goal of the Disability Evaluation Study (DES) is to determine what enables some people with disabilities to remain in the workforce while others do not. Extensive data on the nature and extent of disability will be collected from study participants and their medical providers. In addition, medical examinations and functional assessments will be performed. Employment information will be gathered on interventions, accommodations, social supports, and other factors that figure prominently in the decision to work and/or remain at work. However, the DES final report and data files will not be available until September 2002. In the interim, we are using other, newly available data to describe and analyze the characteristics of working and nonworking people with disabilities, including work, earnings patterns, and job characteristics of the currently or recently employed.

In a related effort, we have a cooperative agreement with the Centers for Disease Control to conduct research to better understand and classify the functional characteristics of disabilities. We will build on this work to assess employment-related policy options around a conception of disability that focuses more on function than on medical condition.

Work incentives. We are looking at work incentives and the work patterns of disabled beneficiaries. How frequently do beneficiaries leave the disability rolls because they are working at or above the level considered to constitute substantial gainful activity (SGA)? How long after entitlement do beneficiaries make an initial work attempt, and is the first attempt likely to result in benefit termination? What are the characteristics of persons whose benefits are terminated due to SGA? What impact do vocational rehabilitation services have on work attempts at the SGA level? For answers to these questions we will rely on data from the disability claims folders linked to survey data and to SSA earnings and benefit records.

We are also looking at strategies related to employer retention of employees following the onset of impairment. We will examine the barriers and disincentives to employee retention, analyze current disability management programs and other practices and incentives that promote employee retention, and develop policy options for promoting retention.

Evaluations. We will evaluate the results of an SSA-state partnership initiative that will conduct return to work demonstrations over a 5 year period. The demonstrations will help us learn which alternate avenues of service provision and changes in benefit structures are most effective in attaining successful employment among the disabled. Although there is considerable variation among the state demonstrations, there are common features. Every state partnership demonstration, for example, includes increased counseling aimed at ensuring that beneficiaries understand the various work incentive programs and anticipate the financial consequences of going back to work. Evaluations will focus on employment and financial outcomes for SSI and DI participants and the administrative and program costs for the Agency. Comparison groups will be developed from Agency records.

Additional demonstrations are being planned in anticipation of new legislation that would provide waivers allowing extended Medicare coverage and gradual reductions in benefits with increased earnings rather than the abrupt termination of benefits that now occurs once substantial gainful activity levels are reached. We also plan to evaluate another provision contained in pending legislation that would offer beneficiaries extensive choices of employment service providers. The primary evaluation objective for both sets of demonstrations is to compare beneficiary employment and financial gain and Agency costs with results that would occur under the current system.

Cross-country studies. We are also examining the experiences of other countries. For example, as part of a six nation effort, we are identifying incentives and interventions that are successful in helping those disabled due to a back condition to return to work. Another project compares the success of return to work programs in Germany and Sweden with those of the United States in promoting sustained employment. Taking into account different income security and health financing systems, we will assess the policy applicability of other nations' experiences.

Disability Research Institute. Finally, we will create a Disability Research Institute, which will be housed at a research institution and will use a network of scholars to conduct disability policy research in critical areas such as the disability decision making process and return to work strategies. The Institute will also (i) provide a mechanism for training scholars in disability research; (ii) assist in finding methods of sharing disability administrative data with outside researchers

while protecting the privacy of the data; and (iii) disseminate findings to the disability policy community. The Institute should be in place by the end of 1999.

Initiative 5. Determine the extent to which the SSI program meets the income needs of low income individuals who are aged or disabled.

The SSI program began a quarter century ago to provide basic income support to needy aged, blind, and disabled persons based on uniform, national standards of eligibility and payment levels. Today the federally administered program serves 6.5 million persons, 78 percent of whom are receiving benefits because of a disability.

Program description. We will use available data to better understand how well the SSI program serves the low income aged and disabled population and subgroups within that population. Barometers of the SSI program's role, and the role of other sources of support, in protecting vulnerable populations will be developed. They will be used to help identify areas where the program could be strengthened. A descriptive statistical picture of the first 25 years of the SSI program will be published. Sources of support for the SSI population will be analyzed. The aim is to identify areas for better coordination with other government programs in order to develop policies that provide a more effective safety net for vulnerable populations. We are also looking at duration on the SSI benefit rolls and at factors that influence the elderly to participate in the SSI program.

Data development and modeling. In a related effort we are examining basic data needs for SSI program issues and developing strategies to meet those needs. Already partially completed is the development of expanded data files from the Survey of Income and Program Participation. With the SIPP data, we are building microsimulation models of the SSI and DI programs that will allow us to simulate effects of policy options and analyze factors underlying program growth (see also Initiative 3).

Children. One significant SSI recipient group is children with disabilities, who now account for 14 percent of SSI recipients. As part of the Commissioner's commitment to a top-to-bottom review of the SSI program for children, a special survey will evaluate the effect of the 1996 welfare reform law on SSI children and their families. Survey data will compare young beneficiaries and nonbeneficiaries in such areas as medical care and the cost of care, parental employment, quality of life, as well as more traditional socioeconomic and demographic measures. They will allow study of the kinds of programs and services that would be most useful for the young disabled population to improve their quality of life, and to support them as they move into adulthood, and, hopefully, transition into the workforce. The survey design will be completed at the end of 1999, with the data available in 2001.

Transition to adulthood. In a related priority, funding will begin in late 2000 for research into new approaches to early identification and evaluation of potential disability beneficiaries and to the effective transition of young beneficiaries into the workforce. Relying on this research, we will assess current policy and develop policy options for the transition of SSI children to the greatest amount of self-support possible.

For the SSI disabled, some projects that focus on return to work evaluations were described in Initiative 4.

Initiative 6. Identify ways to expand access to SSA earnings, benefit, and other administrative data for research purposes while protecting privacy and confidentiality.

A growing body of research and analysis important to SSA policymakers is conducted at universities and research centers outside SSA. Such work has been greatly enhanced over the years from the public release of SSA survey data linked to SSA earnings and benefit data. The New Beneficiary Followup is the most recent, and the Retirement History Study probably the best known, of these releases. In addition to these publicly available files, SSA earnings and benefit data have been given to the University of Michigan's Institute for Social Research (ISR) for Health and Retirement Study (HRS) respondents who gave their consent. ISR subsequently makes HRS-SSA linked data available for research with restrictions about their access and use. However, there is a continual interest from outside researchers for more access to administrative data.

Law and regulation designed to protect the privacy and confidentiality of data in Social Security records provide a framework for what can be disclosed and under what conditions. In addition, because of certain confidentiality and disclosure issues raised in the interpretation of the Tax Reform Act of 1976, release of earnings data (including the Continuous Work History Sample) to non-SSA users has been discontinued. Internal resources and the ability of outside requesters to protect the data have also limited what data have been released.

Outside use. We are expanding the outside use of SSA administrative data records. Major projects underway include (i) an expansion of our linkage work with the Bureau of the Census (which coincides with increases in the Bureau's number of restricted data centers where approved researchers, acting under the Bureau's confidentiality legislation, may access the data); (ii) development of a routine use systems notice to allow broader usage of some administrative data records by outside researchers; (iii) continued data support for epidemiological research in studies determined to contribute to the national health interest; (iv) continued support for the Health and Retirement Study (HRS) by linking it to administrative data and new support for other HRS cohort surveys; (v) additional linkages with health data; and (vi) continuing to respond to special requests from outside researchers. All of these projects are undertaken with disclosure protections in place.

New directions. The hiring of new staff in the data confidentiality and linkage area and planned support from the Retirement Research Consortium and the new Disability Research Institute will help the Agency become more responsive to outside data needs while maintaining a high priority on protecting privacy and

confidentiality. Possible areas include expansions of data linkages as well as study of the feasibility of making a large sample of benefit and summarized earnings records available to outside researchers. To increase the usefulness of OASDI and SSI administrative data to policy analysts outside the Agency, we will fund work to develop more complete documentation for the data elements in the Master Beneficiary and Supplemental Security Records. We will also identify resources to monitor such files following any release. Other projects under consideration would develop statistical techniques to mask data in a way to preserve confidentiality, help us better understand disclosure risks in publicly available files, and establish restricted data agreements where possible. Finally, we will assess the needs of analysts and policymakers who use statistical tables on OP's Internet site, and develop methods to improve the usefulness and timeliness of our data there.